

Case In Point:

Key Person GSI

Background

A large accounting firm in Dallas was concerned about protecting its talent and revenues. With roughly 80 employees, the firm was concerned that if any of their eight partners were unable to work during tax season, it would have a significant impact on both their earnings and their ability to meet client needs. They wanted to see if a key person disability insurance strategy could mitigate this risk.

Solution

We worked with Principal Financial Group to place the first-ever Guaranteed Standard Issue (GSI) Key Person solution that included a \$250,000 key person policy for each of the eight partners, with the option to add more partners in the future.

The GSI component of this solution was particularly attractive because it meant that no underwriting was required. This made the plan easily accessible to all current and future partners and accelerated the time to policy issuance. Once the case was sold, we were able to deliver policies within two weeks, well ahead of the tax season.

Plan Details

Each key person policy pays a lump sum of \$250,000 to the firm if an insured partner is unable to work due to a covered disabling illness or injury. In this scenario, the firm can use the lump sum as it wishes. For example, the firm may want to use the funds to hire replacement talent or to offset revenue losses. The choice is theirs.

In addition, a few partners purchased individual disability insurance (IDI) policies to replace their personal lost income. If five or more partners (or other employees) had purchased IDI, they could have qualified for GSI IDI, again eliminating the need for underwriting and making them eligible for an additional discount.

Lessons Learned

When we think of key person protections, life insurance often comes to mind. Yet, an increasing number of people survive chronic illnesses and severe accidents, so planning for the risk of living with a disability is just as important as planning for the risk of dying. As this case illustrates, agents should offer key person disability insurance, just as they offer key person life insurance.

The biggest surprise in this case was receiving a GSI offer for key person policies. This new solution resulted from having a strong carrier relationship and creative collaboration.